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New MOSS Talks?

The possibility of launching a new round of bilateral trade talks modeled on 1985's successful MOSS (market-oriented, sector-selective) negotiations was debated by U.S.-Japan experts September 27 on Capitol Hill. Although the testimony did not suggest specific sectors for the proposed MOSS talks, witnesses did promise to submit written recommendations at a later date. The original MOSS talks achieved more progress in certain areas than in others, but those who testified concurred that the approach was successful enough to warrant future negotiations -- but only if appropriate new sectors can be identified.

A joint hearing by the House Foreign Affairs Committee's panels on Asian and Pacific Affairs and International Economic Policy and Trade focused on the impact of negotiated market access in the second of four hearings on U.S.-Japan relations. The original MOSS talks, which were concluded in early 1986 (see JEI Report No. 2B, January 17, 1986), covered four sectors: telecommunications equipment and services, medical equipment and pharmaceuticals, electronics, and

Currency Market Intervention Diminishes

Last winter the Bank of Japan looked as if it were playing doctor to the hobbled dollar. The bank joined other central banks in the industrial world in administering support by buying dollars and selling other currencies, thereby driving up the price of the American currency. Japan ended up holding more dollars, swelling its foreign currency reserves.

The effectiveness of the action is unclear: the dollar fell anyway during some of the periods of heaviest intervention and ended 1987 at an all-time low. But three-quarters of the way through 1988, the patient seems to have recovered a little, and the doctors are reducing the prescribed medication. The increase in foreign currency reserves, one of several flawed measures of intervention, has been much smaller in recent months according to the Ministry of Finance (see Table), although Japan's reserves remain the world's largest. Using a slightly different yardstick than MOF's, the International Monetary Fund put Japan's July reserves at $89.2 billion, ahead of West Germany's at $65.7 billion. But Taiwan, not a member of IMF, had $70.9 billion in reserves in June, probably enough to claim runner-up status to Japan.

Japan's Foreign Exchange Reserves

(in billions of dollars at end of each period)

	Level	Change From Previous Period
1982	$23,262	$-5,141
1983	24,496	1,234
1984	26,313	1,817
1985	26,510	197
1986	42,239	15,729
1987	81,479	39,240
1988		
January	83,407	1,928
February	83,821	414
March	84,857	1,036
April	86,838	1,981
May	87,244	406
June	87,700	456
July	88,908	1,208
August	90,222	1,314
September	91,151	929

Source: Ministry of Finance

A related measure of intervention also suggests that BOJ has been less active in 1988. For the first half of the fiscal year that began April 1, the Ministry of Finance calculated that net payments of foreign exchange funds to the public totalled Y136.4 billion ($1.1 billion at Y125=$1.00), a sharply slower pace than in the previous six months, in which the payments came to Y1.3 trillion ($10.4 billion). Most of these payments arise from intervention in the foreign currency markets.

The slowdown in currency intervention is consistent with data showing a rebound in private outbound capital flows. With private investors willing to put their money abroad, there is less need for official action. At a minimum, the doctors at the Bank of Japan have a chance to take a breather.

Douglas Ostrom

Data Bases Build In Japan

Japan's data base market has expanded significantly since JEI first reported on its status (see JEI Report No. 26B, July 18, 1986), in large part due to an explosion of foreign products available in Japan. According to the Ministry of International Trade and Industry, the number of data bases available in Japan rose a strong 21 percent to 1,795 in FY 1987 (ended March 31, 1988). The field remains dominated by foreign data bases, which hold 76.3 percent of the market. The number of domestic information files expanded at a faster rate than foreign products in FY 1987, 43.6 percent versus 15.4 percent, pointing to the domestic industry's vigor (see Table 1). Japanese data bases are becoming increasingly accessible overseas but face inherent problems.

Table 1: Data Bases in Japan, FY 1982-FY 1987

(number and percent)

	Foreign		Domestic		
	Number	Share	Number	Share	Total
FY 1982					
Registered	472	78.1%	132	21.9%	604
Actual	334	73.2	122	26.8	456
FY 1983					
Registered	743	81.1	173	18.9	916
Actual	522	76.9	157	23.1	679
FY 1984					
Registered	1,034	83.3	208	16.7	1,242
Actual	725	78.5	199	21.5	924
FY 1985					
Registered	1,401	82.3	301	17.7	1,702
Actual	1,008	78.2	281	21.8	1,289
FY 1986					
Registered	1,617	82.5	342	17.5	1,959
Actual	1,187	80.0	296	20.0	1,483
FY 1987					
Registered	1,820	74.6	620	25.4	2,440
Actual	1,370	76.3	425	23.7	1,795

Note: "Actual" figures reflect the elimination of double counting.

Source: Ministry of International Trade and Industry

MITI's annual data base industry survey underscores the difficulty Japanese data base companies face in competing with foreign products. Since commercially available data bases have existed in the United States from the early 1960s, the amount of information they contain far exceeds what the Japanese have to offer. Japanese firms are unlikely to close the gap since they would not only have to enter all current information but also enter data going back more than two decades. This problem is compounded given the breadth of American data bases such as Dialog and Nexis, which cover thousands of publications. So far, the domestic industry's share has hovered around one-quarter of the market.

The number of domestic offerings, however, has grown faster than foreign data bases in two of the last three fiscal years. Japanese companies have realized that they cannot compete with foreign data bases head to head. Instead, they are offering unusual or specialized services, such as employment bulletin boards and local news services. In FY 1987 the strongest area of growth for Japanese firms was in business data bases, which expanded at an overall rate of 41.3 percent (see Table 2). The new emphasis on economic restructuring and domestic demand shows up in the 100 percent-plus growth rates of files containing domestic economic and corporate data. Booming Japanese equity, bond and foreign exchange markets sparked the 61.5 percent growth in stock, bond and exchange rate data bases. Surprisingly, travel and leisure-related data bases showed only moderate growth in FY 1987.

The data base industry pulled out of a slump in FY1987, with the number of providers rising 21.9 percent and the number of distributors increasing 14.7 percent (see Table 3). Data base research firms also multiplied in FY 1987, although at a slower rate than the previous year (17.1 percent versus 25 percent). One interesting trend is that the number of companies offering data bases as a sideline is several times the number of primary providers. In the research field, however, a more even balance has been struck between primary and secondary businesses since FY 1986.

The number of Japanese data bases available overseas is also climbing, according to a survey by the Japan Database Industry Association. A total of 83 data bases were offered overseas by 29 organizations as of July 1988, well above the 28 available as of March 31, 1987. Business, finance and economic information represented 61 percent (51 data bases) of all offerings abroad, followed by 20 science and technology data bases or 24 percent, and general information files with 17 percent (14 data bases). (Two of the data bases cover more than one area and so are counted twice.) According to DINA, another 30 data bases are being prepared for foreign customers. By country, the United States has access to all but 14 of the 83. Europe is close behind with access to 64.

DINA also describes major obstacles to a greater share of the global data base market for Japanese firms. First is the fact that Japanese data bases are in Japanese, a language not widespread outside the country. The cost of translating from Japanese into Western languages is currently enormous. Even if translating computers become available, it will take time to convert the information. In contrast, American data bases are naturally compiled in English. Moreover, American data bases are easily and cheaply exportable, with no time delay between data entry and availability. The global lack of computer

Table 2: Japanese Data Bases by Topic, FY 1986-FY 1987

(number of registered data bases)

	FY 1986	FY 1987
General data bases		
General information	54	65
News	72	145
Biographical, company data	55	55
Management	30	28
Law	34	32
Politics	27	24
Health, sports	8	8
Travel, reservations	10	16
Leisure, entertainment	14	18
Popular culture	13	16
Dictionary, glossary	20	23
Geography, cartography	6	4
Other	22	23
Subtotal	365	457
Natural sciences, technology		
General information	64	63
Patents	62	65
Life sciences*	142	157
Chemistry	72	75
Physics	5	5
Mathematics	5	5
Electricity, electronics, computers	91	81
Industrial, mechanical	10	12
Construction	14	15
Space, geophysics, oceanography	21	24
Nuclear power	1	3
Environment	32	36
Energy	29	28
Agriculture	23	24
Meteorology	12	14
Metallurgy	18	20
Food	9	9
Textiles	8	8
Other	13	24
Subtotal	631	668
Social science, culture		
General information	17	16
Education	22	19
Sociology	14	14
Population statistics	10	12
Law	1	2
History	4	4
Art	8	9
Psychology	9	9
Linguistics	5	5
Philosophy	2	2
Religion	9	8
Other	1	1
Subtotal	102	101
Business		
General information	74	94
Market, product data	89	120
Foreign economic data	133	168
Domestic economic data	35	90
Foreign corporate data	154	179
Domestic corporate data	58	122
Accounting, management	19	21
Stock and bond quotations, exchange rates	135	218
Energy	40	65
Telecommunications, transportation	20	21
Agriculture	24	13
Chemistry	11	16
Labor	13	11
Architecture, construction	6	7
Transportation	16	20
Retail, services	4	7
Real estate	3	4
Other	24	36
Subtotal	858	1,212
Miscellaneous		
Other	3	2
Subtotal	3	2
Total	1,959	2,440

*Such as biology, anatomy, pharmacology and veterinary science.

Source: Ministry of International Trade and Industry

Table 3: Japan's Data Base Industry, FY 1982-FY 1987

(number of companies)

	Primary Business	Secondary Business	Total
Data Base Producers			
FY 1982	6	24	30
FY 1983	8	29	37
FY 1984	13	42	55
FY 1985	21	52	73
FY 1986	18	55	73
FY 1987	19	70	89
Data Base Distributors			
FY 1982	17	30	47
FY 1983	22	29	51
FY 1984	24	48	72
FY 1985	32	58	90
FY 1986	20	55	75
FY 1987	16	70	86
Data Base Research Firms			
FY 1982	3	10	13
FY 1983	3	10	13
FY 1984	4	20	24
FY 1985	9	19	28
FY 1986	18	17	35
FY 1987	20	21	41
Data Base Agencies			
FY 1986	3	11	14
FY 1987	4	13	17

Source: Ministry of International Trade and Industry

equipment that can display Japanese characters is another barrier cited by DINA since users may not be willing to buy a piece of equipment dedicated solely to Japanese data bases. Innovative software may alleviate this problem but cannot address the language barrier. Japanese data base providers also have been slow to offer 24-hour service, a very important consideration if the user is halfway around the world. Finally, Japanese firms lack the marketing experience to design user-friendly data bases and advertise them effectively in foreign countries. The Japanese data base industry is clearly growing and maturing but remains a minor player compared with American and European firms.

Jon Choy